

WHY I SUPPORT THE NORTHEASTERN DAIRY COMPACT

Our dairy farmers are struggling today and that is one of the reasons why I am a cosponsor of HR324, "The Dairy Consumers and Producers Protection Act of 2003."

Throughout my lifetime, the dairy industry has been an essential component of eastern Connecticut's economy. Twenty-five percent of the land in eastern Connecticut is agricultural. The dairy compact can help keep it that way.

Today farmers' milk profits are the lowest they have been in 20 years. It costs farmers more to produce milk than they are paid for it. To make matters worse, even as Connecticut dairy farmers are getting paid less, consumers are either paying more at the supermarket or prices have remained unchanged.

Last November University of Connecticut agricultural economist Ronald Cotterill released a study that showed New England consumers are being overcharged for milk by about \$144 million annually. The study, which surveyed 191 retail stores in Connecticut, Massachusetts, New York and Rhode Island, found that the chain supermarket prices in New England are at least \$1 above their cost level for all milk. The situation is unacceptable. Dairy farmers are suffering with low milk prices while consumers are paying high milk prices.

When the Northeast Dairy Compact expired in 2001 farm prices dropped by 50 cents a gallon for New England farmers. Retail prices should have dropped by as much as 90 cents per gallon, but they did not. The primary beneficiaries of the milk profits, according to the study, are going to the region's largest processors.

Under the old New England Dairy Compact, when prices fell below a certain price, distributors paid the subsidy to farmers and modified their retail prices accordingly. The system was altered so that the federal government subsidizes the farmers. However, consumer prices have not fallen, and farmers are earning less even with the federal subsidy. The processors and distributors are reaping a bonus at the expense of the consumer, the taxpayer and the farmers.

HR324 will establish dairy compacts in the Northeast, the South, the Northwest and Intermountain region. They will have the authority to set minimum wholesale prices on milk, protecting the farmers from large market fluctuations. At trigger prices, the distributors will pay



subsidies to the farmers. The impact also requires local producers to guarantee a stable, local supply of milk as a matter of regional economic impact. We were unable to reauthorize the compact in 2002. Reauthorization is a priority of mine in this current Congress.

A number of myths have surfaced regarding the dairy compacts. The dairy compact is not a milk tax and it does not cost the government one dime. Compacts are agreements between states in a region for dairy processors to offer a minimum price to farmers for their milk. The agreement builds upon

existing federal milk market orders and accounts for regional differences in the costs of producing milk.

Dairy compacts are not inconsistent with free trade; they encourage greater competition in the marketplace. Dairy compacts do not exclude milk produced outside the compact region from sale within the region. The compact regulates the sale of milk in its region, regardless of where the milk was produced. One study conducted by the Office of Management and Budget one year after the Northeast Dairy Compact went into effect showed the trade in the region increased by 7 percent.

Dairy compacts save consumers money by helping stabilize milk prices. This steadiness saves consumers money. It protects them from retailers who profit from unstable milk prices by fattening their profit margins when milk prices rise and by keeping their price inflated even after wholesale prices have fallen.

Compacts benefit everyone by reducing market vulnerability from a reliance on milk from a single source and they help preserve our rural landscape.

Without dairy compacts our farms would disappear at a rapid rate, and so would our local sources of milk. If we ever reach the point where local farmers are unable to produce our food, we would be forced to rely on food products from distant locations, perhaps even from overseas where there are fewer quality standards and greater shipping costs. In addition, without our local farming community the rural economies would wither and development would replace our open space.

Dairy compacts are good for our farmers, for consumers and for land preservation. I will continue to support the dairy compact and I will work hard with my colleagues to see that it is passed.